

CITY OF CORAL GABLES

-MEMORANDUM-

TO: PATRICK SALERNO
CITY MANAGER

DATE: MAY 26, 2009

FROM: DONALD G. NELSON
FINANCE DIRECTOR

SUBJECT: MID-YEAR BUDGET REPORT:
FISCAL YEAR 2008-2009

BACKGROUND: The Mid-Year Budget Report provides an opportunity for staff and the Commission to conduct a financial review of the past six (6) months and make necessary adjustments to estimated revenues and appropriations. As you are aware, this included conferences with the Director of each department on the respective expenditure budget. A comparison of estimated revenues to actual revenues was made in order to make revised projections based on current economic trends.

BUDGET STATUS AT MID-YEAR:

REVENUES: The total estimated revenues at the beginning of the 2008-2009 fiscal year was \$143,021,970. The total estimated revenues since October 1, 2008 have been adjusted at mid-year to reflect new projections, which has resulted in a revised annual budget of \$137,511,974, a net decrease of \$5,509,996. This net decrease in revenues is attributed to an economic decline throughout the Country and especially in Florida with the hard hit construction industry resulting in a significant decrease in construction permit and other permit revenues of \$1,706,000, construction related fees of Board of Architects \$250,000, Concurrency Fees \$130,000, Planning & Zoning Board \$127,000, Development Review Committee Fees \$90,000, and other construction review fees \$93,000; Intergovernmental revenues received from the State of Florida and Miami-Dade County have decreased as follows: State Sales Tax \$380,000, State Revenue Sharing \$150,000, Transportation Sales Tax \$80,000, and Gasoline Sales Tax \$75,000; Sanitary Sewer Fees \$280,000, on-street parking, garage and permit revenues have decreased \$498,600, and recreation activity fees have also decreased \$359,900; other revenue decreases include Electric Franchise Fees \$350,000 and Electric Utility Service Taxes \$400,000.

EXPENDITURES: The total annual operating department expenditures beginning October 1, 2008 was \$135,317,688 and has been adjusted to \$138,664,532 at mid-year, a net increase of \$3,346,844. The increase in operating department expenditures was primarily due to \$2,169,281 from a retroactive wage adjustment and employee leave termination payments, \$643,708 encumbrance of funds transferred from last year budget to the current budget for goods and services ordered last fiscal year and paid in the current fiscal year, \$90,000 for professional services, \$179,911 for trolley operations and \$243,855 operating fund subsidies to the Venetian Pool and Granada Golf Course.

CAPITAL IMPROVEMENT PROJECTS: The Capital Improvement Program of \$4,787,000 includes an increase of \$922,000. There was \$547,000 approved by Resolution 08-151 at the beginning of the fiscal year for the Museum and the Country Club of Coral Gables and in order to cover additional capital improvement cost to the Country Club of Coral Gables, funding of \$375,000 is necessary for a total of \$585,000 for this fiscal year.

The Capital Improvement program of \$4,787,000 includes \$2,550,000 for Sanitary Sewer improvements, \$1,165,000 for Roadway improvements, \$150,000 for Stormwater, \$337,000 for the Museum and \$585,000 for the Country Club of Coral Gables.

DEBT SERVICE: The 2008-2009 annual debt service for principal and interest on loans from the Sunshine State Governmental Financing Commission is \$6,174,991 and represents 4.3 percent of total operating expenditures and debt service of \$144,994,023 at mid-year.

The current total principal amount of loans outstanding is \$60,253,905 after the recent principal payment on April 1, 2009 of \$1,165,000.

POSITIONS: The total number of full-time employee budgeted positions at mid-year is 865. The budget provides for 186 police officers and 139 firefighters. The City currently has 22 vacant employee positions that includes four (4) police officers. The Fire Department is currently fully staffed with 139 firefighters.

COLLECTIVE BARGAINING: The City has a Collective Bargaining Agreement in effect with the Coral Gables Professional Firefighters IAFF Local 1210 until September 30, 2011. The Fraternal Order of Police Lodge No. 7 and the General Employees Association agreements were effective until September 30, 2008.

CONCLUSION: The City of Coral Gables is not immune to the downturn of the economy that has affected all state and local governments since the economic slide began in August, 2007. The 2008-2009 budget estimates a four percent decrease in total revenues of \$5.5 million from significantly reduced construction activity, state shared and sales taxes, utility taxes, franchise fees, decreased parking demand and fee for service generated revenues.

The decrease in revenues combined with increased operating cost primarily from an unplanned collective bargaining wage settlement results in an additional \$8.3 million excess of expenditures over revenues in the General Fund that will be reduced to \$6.5 million after a \$1.8 million transfer from the Debt Service Fund.

To mitigate the financial impact on the budget and the fiscal year end results, at your direction, the City implemented a hiring freeze, and a discretionary capital purchase and departmental spending freeze. The hiring freeze on the twenty-two (22) vacant positions and the reduction of the sixteen (16) part-time and temporary positions will produce a \$1,445,000 savings, while the capital purchase freeze will provide an additional savings of \$370,000, for a total potential savings of up to \$1,815,000 by the end of the 2008-2009 Fiscal Year.

These actions along with monitoring of department expenditures and other potential measures will reduce the fiscal impact to the 2008-2009 budget.